

Message Text

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ORIGIN EA-12

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COMMERCE - MR. HARDISTY (INFO)
-----012626 040020Z /65
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FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA IMMEDIATE

C O N F I D E N T I A L STATE 113189

E.O. 11652: GDS

TAGS: EAIR, BEXP, ID

SUBJECT: POTENTIAL SALE OF LOCKHEED L-100'S TO GOI

REF: A. JAKARTA 5498 B. STATE 110200

1. LOCKHEED GEORGIA HAS PROVIDED DEPARTMENT WITH FOLLOW-
ING NOTES ON LOCKHEED L-100-20 IN RESPONSE REF A FOR USE
BY THE EMBASSY WITH MINISTRY OF COMMUNICATIONS AND AS
BACKGROUND FOR DISCUSSION OF CONTRACT BY THE VICE PRESI-
DENT:

A) THE LOCKHEED HERCULES AIRCRAFT HAS COMPILED AN UNPARAL-
LELED RECORD IN AIRLIFT CAPABILITY. WITH ITS HIGH DEGREE OF
VERSATILITY, FEATURING EXCELLENT SHORT FIELD PERFORMANCE
COUPLED WITH ITS HIGH PRODUCTIVITY/LOW COST OPERATION,
THE HERCULES AFFORDS THE INDONESIAN GOVERNMENT THE MOST
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COST EFFECTIVE AIRPLANE AVAILABLE FOR USE IN THE TRANSMI-
GRATION PROGRAM. THE L-100-20, THE COMMERCIAL VERSION
OF THE FAMED MILITARY C-130H, WITH 112 PASSENGER CAPACITY,
HAVING A CARGO COMPARTMENT WHICH IS 100 INCHES LONGER THAN
ITS MILITARY COUNTERPART. (THERE IS NO UPDATED L-100 AVAIL-
ABLE FOR EARLY DELIVERY ALTHOUGH ANOTHER VERSION IS ON THE
DRAWING BOARDS. THE 2 ENGINE L-400 LIKEWISE IS NOT YET IN

PRODUCTION SO COULD BE DELIVERED ONLY IN THE 1980'S).

B) THE FRENCH TRANSALL C-160 AIRCRAFT WHICH HAS BEEN OFFERED FOR SALE TO THE INDONESIAN GOVERNMENT IS A PURELY MILITARY-TYPE AIRCRAFT OPERATING TO "MILITARY" RULES AND IS NOT GOVERNED BY CIVIL AIR REGULATIONS. THE L-100-20 IS A COMMERCIAL AIRCRAFT, CERTIFICATED BY THE U.S. FAA, AND OPERATES TO COMMERCIAL RULES ESTABLISHED BY THE FAA AND WHICH ALMOST UNIVERSALLY HAVE HIGHER PERFORMANCE REQUIREMENTS THAN MILITARY RULES. FOR EXAMPLE, THE LANDING FACTOR IMPOSED ON A COMMERCIAL AIRCRAFT IS 1.67, WHICH IS TO SAY THAT AN AIRCRAFT'S PROVEN LANDING FIELD LENGTHS ARE INCREASED BY 2/3 TO MEET COMMERCIAL CRITERIA.

C) THE L-100-20, WHEN OPERATING OUTSIDE THE COMMERCIAL "RULES" CAN EQUAL THE SAME SHORT FIELD PERFORMANCE CAPABILITIES OF ITS SISTER AIRCRAFT THE C-130H AT NO INCREASED SAFETY HAZARD.

D) USING AUSTERE CANVAS-TYPE BULK SEATING, THE L-100-20 CAN CARRY 112 PASSENGERS AND BAGGAGE UP TO 3,000 NAUTICAL MILES, WITHOUT REFUELING. ON A TYPICAL ROUND TRIP MISSION OF 1300NM ASSUMING NO REFUELING AT DESTINATION, OPERATING TO MILITARY RULES, THE L-100-20 WILL BE ABLE TO LAND ON AND TAKE OFF FROM A 2,700 FOOT STRIP. (THE TRANSALL CAN CARRY 95 PASSENGERS IN THE SAME CONFIGURATION)

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TION).

-- THE L-100-20 HAS A TOTAL PAYLOAD OF 46,500 POUNDS (VS 35,000 POUNDS FOR THE TRANSALL).

-- MAXIMUM RANGE WITH MAXIMUM PAYLOAD IS 1,950NM FOR THE L-100-20 (VS 988NM FOR THE TRANSALL).

-- THE INDONESIAN AIR FORCE ALREADY OPERATES ELEVEN C-130B, ONE OF THE EARLIER VERSIONS OF THE HERCULES. THUS EASING MAINTENANCE, TRAINING AND SPARES INVENTORY PROBLEMS.

-- LOCKHEED HAS PRODUCED AND DELIVERED MORE THAN 1,500 HERCULES AIRCRAFT IN VARIOUS MODELS TO 43 COUNTRIES AROUND THE WORLD. (THE TRANSALL HAS BEEN OUT OF PRODUCTION FOR THE LAST FEW YEARS.)

-- LOCKHEED CAN DELIVER TO THE INDONESIAN GOVERNMENT TEN L-100-20 HERCULES IN 1979 (WITH FIRST AIRCRAFT DELIVERY IN MAY/JUNE, BASED ON A CONTRACT AWARD BY SEPTEMBER 1, 1978) AND TEN IN 1980 AT AN AVERAGE UNIT PRICE OF U.S.\$9,780,000 DOLS. (THE TRANSALL IS IN THE ELEVEN TO TWELVE MILLION

DOLLAR RANGE.) THE LOCKHEED PRICE DOES NOT INCLUDE SPARES AND TRAINING, BUT LOCKHEED WILL PROVIDE ADDITIONAL INFO ON THESE ITEMS.)

E) FINANCING, WITH AN INDONESIAN CENTRAL BANK GUARANTEE SUPPORTED BY THE U.S. EXIM BANK, COULD BE DEVELOPED AND LOCKHEED HAS BEGUN DISCUSSION WITH THE BANK. THESE DISCUSSIONS INDICATED PRELIMINARY TERMS AS FOLLOWS: 15 PERCENT DOWN PAYMENT BY GOI, 50 PERCENT FINANCING BY EXIM FOR TEN YEARS AT EIGHT AND A HALF TO EIGHT AND FIVE-EIGHTHS PERCENT AND REMAINDER FINANCING BY PRIVATE BANKS. HOWEVER, EXIM HAS EMPHASIZED TO LOCKHEED THAT BANK CAN ADJUST PERCENTAGE OF EXIM PARTICIPATION, INTEREST RATE AND TERM OF LOAN TO MEET THE COMPETITION.
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2. LOCKHEED APPRECIATES THAT GOI MAY RAISE THE L-100 QUESTION WITH VICE PRESIDENT, BUT STRONGLY URGES THAT HE BRING UP THIS POTENTIAL CONTRACT AND GIVE IT USG ENCOURAGEMENT IN VIEW SIZE AND COMMERCIAL IMPORTANCE TO US. SUGGESTED TALKING POINTS FOR THE VICE PRESIDENT'S DISCUSSION WILL BE SENT IN SEPTEL.

3. LOCKHEED HAS INFORMED US THAT JOHN KING OF THEIR SINGAPORE OFFICE AS WELL AS COMPANY'S TOKYO OFFICE WILL BE PROVIDED WITH SAME INFORMATION AS IN PARA 1. THEY STILL INDICATE COMPANY INTENTION TO SEND REPRESENTATIVE TO JAKARTA BUT HAVE NOT SET DATE. EMBASSY MAY WISH TO SOUND OUT MINISTRY OF COMMUNICATION AND SUGGEST DATE IF YOU FEEL DISCUSSIONS WITH LOCKHEED HAVE GREAT URGENCY. MESSAGE MIGHT BE SLUGGED TO DAVID T. CROCKETT, VICE PRESIDENT FOR MARKETING, LOCKHEED MARA 542642 OR 810763-4724, MARIETTA, GEORGIA. CHRISTOPHER

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